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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission
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IN THE MATTER OF THE APPLICATION OF DONEY PARK WATER, A MEMBER OWNED NON-PROFIT CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS PROPERTY FOR RATEMAKING PURPOSES, TO FIX A JUST AND REASONABLE RETURN THEREON AND TO APPROVE RATES DESIGNED TO DEVELOP SUCH RETURN.

DOCKET NO. W-01416A-10-0450

NOTICE OF FILING TESTIMONY SUMMARY

Doney Park Water ("DPW" or "Company") by and through undersigned counsel, hereby files the Testimony Summary of Thomas J. Bourassa in the above-referenced matter as required in the procedural order dated July 13, 2011.

RESPECTFULLY SUBMITTED this 4th day of October, 2011.

CURTIS, GOODWIN, SULLIVAN, UDALL & SCHWAB, P.L.C.

By: ______________________
William P. Sullivan
Larry K. Udall
501 East Thomas Road
Phoenix, Arizona 85012-3205
Attorneys for Doney Park Water

PROOF OF AND CERTIFICATE OF MAILING

I hereby certify that on this 4th day of October, 2011, I caused the foregoing document to be served on the Arizona Corporation Commission by delivering the original and thirteen (13) copies of the above to:

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1200 West Washington
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COPY of the foregoing hand delivered and emailed this 4th day of October, 2011 to:

Chairman Gary Pierce
gpierce@azcc.gov

Commissioner Paul Newman
pnewman@azcc.gov

Commissioner Sandra D. Kennedy
skennedy@azcc.gov

Commissioner Bob Stump
bstump@azcc.gov

Commissioner Brenda Burns
bburns@azcc.gov

Janice Alward, Esq.
Legal Division
jalward@azcc.gov

Sarah Harpring
Administrative Law Judge
dbroyles@azcc.gov
dperson@azcc.gov

Steven M. Olea
Director, Utilities Division
solea@azcc.gov

John Le Sueur
jlesueur@azcc.gov

Nancy LaPlaca
nlaplaca@azcc.gov

Cristina Arzaga-Williams
carzaga@azcc.gov

Amanda Ho
aho@azcc.gov

Thomas F. Galvin, Jr.
tgalvin@azcc.gov

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SUMMARY OF TESTIMONY OF

THOMAS J. BOURASSA

ON BEHALF OF DONEY PARK WATER

(Docket No. W-01416-10-0450)

No issue remains between Staff and the Company regarding the adjusted test year rate base ($4,942,252), revenues ($1,966,592) and expenses ($2,172,151), or the appropriate operating income ($381,218), operating margin (14.93%) and return on FVRB (7.71%) going forward. Therefore, Staff and the Company also agree on the total revenue requirement ($2,553,369) and the required revenue increase ($586,777 or 29.84%) or rate design. The only unresolved issues are: 1) Staff's proposal to eliminate the Company's existing Turn-Off Fee and 2) the number of BMP tariffs to be filed.

Direct: Mr. Bourassa is a Certified Public Accountant, self-employed and providing utility consulting services. He was retained by and is testifying on behalf of the applicant, Doney Park Water (DPW or Company).

Background

DPW is an Arizona non-profit corporation, initially formed in 1936 and recognized by the Internal Revenue Service as a tax exempt mutual service cooperative providing water service to its members. It also is a public service corporation subject to the regulation of the Commission.

DPW's certificated service area consists of approximately forty-four (44) square miles of Federal, State and private lands located northeast of Flagstaff in Coconino County, Arizona. As of December 31, 2009, the Company had 3,400 connected meters and served a population of approximately 10,200 people.

The Company is run by a volunteer, member-elected five (5) person Board of Directors. All customers of the Company residing in its certificated area are eligible to be members of DPW. The day-to-day operations of the Company are overseen by its General Manager.

DPW's last general adjustment in its rates and charges was approved 17 years ago by Commission Decision No. 58752, dated August 31, 1994, based upon a test year ending June 30, 1993.

Rate Application

By its application, DPW requested a $646,487 increase in revenues based upon a test year ending December 31, 2009, or approximately 32.58% over the adjusted and annualized test year revenues (slightly less than 2% per year since DPW's last adjustment in rates). Mr. Bourassa presented evidence and schedules showing DPW experienced a pro forma operating loss of $304,503 and a pro forma net loss of $370,881 during the test year. See Schedule C-1, page 1. The application indicated the requested increase would provide operating income of $341,983 and an 8.9% return on an Original Cost Less Depreciation Rate Base ("OCRB") and a Fair Value Rate Base ("FVRB") of $3,841,740.

Rate Design

The Company requests consolidation of its existing rate structure, which currently is based upon customer classification and seasons of use (winter/summer), into a standard rate structure based upon meter size with conservation based rate tiers, with no water in the monthly minimums. The Company also proposes changes in various miscellaneous charges and clarifications of its tariffs, including its Development Fee Tariff and Termination/Abandonment Tariff.

Rebuttal: Revenues

In his rebuttal testimony, Mr. Bourassa responds to the direct testimony filed on behalf of Staff. For this case, DPW accepts almost all of the adjustments to operating revenues and expenses suggested by Staff witness, Darak Eaddy, including adjustments to unmetered water revenue, transportation expense, rate case expense, general and administrative expense, depreciation expense, amortization of CIAC and

Property Tax. See, Rebuttal Schedule C-1. Following receipt of Staff's direct testimony, the Company provided additional invoice support for its test year expenditures in repairs and maintenance and office supplies and expense, which Staff had adjusted downward pending receipt and review of such documentary support.

DPW's final proposal for a total revenue requirement is $2,553,369, which constitutes an increase in revenues of $586,777, or 29.84% over test year revenues, but $59,710 less than proposed in the Company's application. After adjusted test year expenses of $2,172,151, this level of revenue produces operating income of $381,218 and an operating margin of 14.93. As reflected in Mr. Eaddy's Surrebuttal Schedule DRE-1, this is the same revenue requirement, adjusted test year expenses, revenue increase, operating income and operating margin recommended by Staff.

Rate Base

For this case, DPW also adopts Staff's adjustments to accumulated depreciation. The difference is due to Staff's use of the vintage year group depreciation method to compute accumulated depreciation. The Company also adopts Staff's adjusted Rate Base of $4,942,252 as both the OCRB and the FVRB for this proceeding. The operating income of $381,218, recommended by both Staff and the Company, translates to a return of 7.71% on FVRB.

Rejoinder: Rate Design & Tariffs

DPW supports Staff's proposed rules set forth in its September 26, 2011 Errata filing. The rate design eliminates distinction by customer classification and season (winter/summer), includes a 3-tier inverted rate design for 5/8" by 3/4" inch and 3/4" inch meters and a two tier inverted rate design for all other meter sizes. No water is included in the minimum monthly charge. DPW can support the overall rate design proposed by Staff as a reasonable balance between revenue stability, encouraging conservation, tracking the cost of service and customer impacts. The Company has submitted revised tariffs as Rejoinder Attachment 7 reflecting the agreed upon rates as Rejoinder Attachment 7 and requests those Tariffs be approved by the Commission.

Turn-Off Fee (customer request) and BMPs

Staff recommends eliminating DPW's Turn-Off fee. This charge is incurred when the customer asks the Company to come out to the service address and temporarily turn-off service (usually due to a leak or construction). A.A.C. R14-2-403.D.3, relied on by Staff, does not encompass the foregoing service. When the Company, at the customer's request, dispatches its field crew to the customer's premises (which can be anywhere within DPW's 44 square mile service territory) to turn off water service temporarily without a turn-on during the same visit, a fee ($35) covering the cost should be charged to the customer requesting the service. The fee currently exists and should remain.

Staff offers no support for requiring DPW to file a single BMP tariff, let alone the seven BMP tariffs it is recommending. Under such circumstances, the Commission has no basis to order DPW to file any BMP tariffs. However, in the spirit of compromise and conservation, DPW is willing to file the four (4) BMP tariffs if has included as Attachment 8 to Bourassa Rejoinder.